
Debt Service

FY 2002 Proposed Operating Budget:	\$287,702,000
FY 2002 Proposed Capital Budget:	\$0

The mission of debt service is to exercise fiscally responsible debt management practices to mitigate the cost of borrowing for the District of Columbia.

Budget Summary

The proposed operating budget from all funding sources for debt service totals \$287,702,000, a decrease of \$3,926,384, or 1.3 percent, from the FY 2001 approved budget (tables DS0-1, ZD0-1, ZA0-1, CP0-1). This decrease is primarily attributable to debt service savings associated with the District's debt reduction efforts in FY 2001. These savings are partially offset by debt service costs associated with general obligation bonds to be issued to support the FY 2002 capital improvement plan (CIP).

Strategic Issue

Timely debt service payments are necessary to satisfy the District's commitments to its investors (bond holders) and maintain good credit standing in the financial marketplace. Debt service payments also reduce the District's outstanding debt. As of September 30, 2000, the District's long-term debt totaled \$3.11 billion.

FY 2002 Initiative

In FY 2002, there will be improved coordination with the capital improvement program to ensure the FY 2002 general obligation bond issue is exe-

cuted consistent with actual cash needs during the fiscal year, which will minimize debt service costs.

Agency Background

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs. No long-term general obligation debt (other than refunded debt) may be issued during any fiscal year in an amount that would cause the amount of principal and interest paid in any fiscal year, on all long-term debt, to exceed 17 percent of the revenue of the fiscal year in which the debt was issued. The debt service percentage is calculated using the highest fiscal-year debt service divided by the total revenue. The debt service percentage limitation was increased from 14 percent to 17 percent in FY 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997. As of September 30, 2000, debt service represented 9.7 percent of revenue, a decrease from 12.7 percent of revenue on September 30, 1999.¹ A summary of the District's debt service requirements for its general obligation long-term debt can be found in table DS0/ZD0/ZA0/CP0-2.

¹ Source: FY 2000 CAFR, page 116 .

The FY 2002 proposed operating budget is \$287,702,000, a decrease of \$3,926,384, or 1.3 percent, from the FY 2001 approved budget.

Table DS0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of Loans and Interest

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	315,656	243,238	247,902	4,664
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>315,656</i>	<i>243,238</i>	<i>247,902</i>	<i>4,664</i>
Total Proposed Operating Budget	315,656	243,238	247,902	4,664

Table ZD0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of General Fund Deficit

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	38,343	39,300	39,300	0
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>38,343</i>	<i>39,300</i>	<i>39,300</i>	<i>0</i>
Total Proposed Operating Budget	38,343	39,300	39,300	0

Table ZA0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Short-term Borrowings

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	3,002	1,140	500	-640
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>3,002</i>	<i>1,140</i>	<i>500</i>	<i>(640)</i>
Total Proposed Operating Budget	3,002	1,140	500	(640)

Table CP0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Certificate of Participation

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Rent	7,929	0	0	0
Debt Service	0	7,950	0	(7,950)
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>7,929</i>	<i>7,950</i>	<i>0</i>	<i>(7,950)</i>
Total Proposed Operating Budget	7,929	7,950	0	(7,950)

Table DS0/ZD0/ZA0/CP0-2

Summary of Debt Service Requirements for General Obligation Long-term Debt to Maturity

(dollars in thousands)

Year ending September 30, 2000	General Obligation	
	Principal	Interest
2001	156,830	171,219
2002	139,303	160,346
2003	164,379	152,814
2004	176,253	144,812
2005	192,295	134,749
2006–2010	1,072,421	511,438
2011–2015	632,648	307,558
2016–2020	575,599	236,033
Total Debt Service Requirements	3,109,728	1,818,969

Source: FY2000 CAFR, page 55

Financing Methods

Debt service represents principal and interest expenditures associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt. Debt service for the District of Columbia includes four different financing methods:

The **Repayment of Loans and Interest** appropriation represents debt service costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital project expenditures of general fund agencies.

The **Repayment of General Fund Deficit** appropriation represents debt service associated with financing the District's \$331.6 million accumulated deficit, as of the end of FY 1990. The anticipated final repayment of these deficit-reduction bonds will occur in FY 2003.

The **Short-term Borrowings** appropriation represents interest and other costs associated with District borrowings to meet short-term seasonal cash needs.

The **Certificates of Participation** appropriation represents semi-annual lease payments due on land for the One Judiciary Square building. Defeasance of this obligation in FY 2001 eliminates further payments in this budget category.

Funding Summary

Debt service is funded entirely with local funds.

Proposed funding for Repayment of Loans and Interest totals \$247,902,000, an increase of \$4,663,616, or 1.9 percent. This increase is attributable to the anticipated FY 2002 general obligation bond issue to support the CIP. (See FY 2002–FY 2007 CIP, Volume I, for additional information concerning FY 2002 CIP Financing.)

Proposed funding for Repayment of General Fund Deficit debt service is \$39,300,000, representing no change from FY 2001.

Funding for Short-term Borrowings debt service totals \$500,000, a decrease of \$640,000 from FY 2001. This decrease is attributable to improved cash position.

Proposed funding for Certificates of Participation totals \$0, a \$7,950,000 decrease from FY 2001. This decrease is attributable to defeasing these certificates in FY 2001. Refer to the FY 2002 Operating Appendices (bound separately) for details.